BRITISH COLUMBIA
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BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

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- **Wages, salaries and benefits rise 1.1% in the first quarter**
- **Residential construction picks up speed; spending on non-residential buildings remains robust**
- **Room revenues slip in February**

The Economy

- **Wages, salaries and benefits earned by British Columbians increased at a steady rate of 1.1% (*seasonally adjusted*) in the first quarter.** This was only marginally less than the 1.2% gain posted at the end of last year. The national average was 2.0%, reflecting very strong labour income growth in Alberta (+2.6%) and Quebec (+2.6%), together with parts of Atlantic Canada. Newfoundland posted a huge 20.2% increase, but this was related to a one-time jump in supplementary benefits. Excluding this effect, labour income growth in Newfoundland would have been much lower (at about one percent). *Data Source: Statistics Canada*

- **BC investment in residential construction increased 3.7% (*seasonally adjusted*) in the first quarter, advancing for the first time since the second quarter of 2006.** The increase reflected spending on new construction projects, (+1.9%) together with improvements to existing dwellings (+5.9%). Spending was up in most parts of western Canada, and at the national level, where a 1.8% increase was recorded. *Data Source: Statistics Canada & BC Stats*

- **Spending on non-residential building projects in the province jumped 6.0% (*seasonally adjusted*) in the first quarter, as a building boom in the non-residential sector continued.** Investment in institutional & government (+1.7%) and commercial (+6.7%) buildings rose significantly, while spending on industrial projects jumped 19.8%. *Data Source: Statistics Canada*

- **The number of British Columbians receiving regular employment insurance (EI) benefits decreased (-2.1% *seasonally adjusted*) to 37,690 between February and March.** Nationally, the number of EI beneficiaries inched down 0.7%, to 482,220. *Data Source: Statistics Canada*

- **Restaurant, caterer and tavern receipts in the province inched down (-0.2% *seasonally adjusted*) in March.** Drinking places took in significantly more (+7.6%) than in February, but food service establishments had a less lucrative month (-0.7%). Canadian establishments fared slightly better: receipts were up 0.3% overall, with revenues increasing at drinking places (+4.3%), and receipts at food service establishments (+0.0%) remaining flat. *Data Source: Statistics Canada & BC Stats*

Tourism

- **Following a substantial 5.1% rise in January, room revenues in the province slipped 3.3% in February.** Most regions of the province experienced a downturn. Revenues in Mainland/Southwest (-0.2%) and Vancouver Island/Coast (-5.0%), accounting for the bulk of activity in the industry, were down. Other regions such as Northeast (-14.1%), Thompson/Okanagan (-11.7%) and Nechako (-5.1%) saw revenues fall sharply. Operators of accommodation properties in Cariboo saw business slip slightly (-0.5%). Revenues in North Coast (+0.2%) rose marginally while those in Kootenay climbed 2.6%. *Data Source: BC Stats*

Income

- **Among British Columbia's Census Metropolitan Areas (CMAs) Victoria had the highest median total family income in 2005.** The median for families (including both couple and lone-parent families) in the capital city reached $66,900 in 2005, up 2.0% from 2004 (after adjusting for inflation). Families in Vancouver observed a similar rise in total annual income (+2.4% to $58,800), while those in Abbotsford saw a comparatively smaller increase (+1.5% to $55,700). The median income for Canadian families grew 2.1% in 2005, reaching $60,600.

Report 2006 another good year for BC economy

Did you know...

Canada ranks as the 8th most peaceful country in the world. Norway, New Zealand and Denmark are the top three most peaceful. *Source: The Economist*

Oshawa-Gatineau was the Canadian CMA with the highest median family income ($77,000). *Data Source: Statistics Canada*

- **The median total income for individuals among BC's Census Metropolitan Areas (CMAs) was also highest in Victoria ($28,800) in 2005, up 1.0% from 2004.** Median income for those residing in Vancouver was also up (+1.7% to $24,000) while Abbotsford residents saw an increase of 1.4% to $23,200. At the national level, median total income increased 1.9% to $25,400. *Data Source: Statistics Canada*

Agriculture

- **Farm cash receipts in the province were 3.3% higher in the first quarter of 2007 than in the same period of 2006, reflecting higher revenues from the sale of both crop (+3.0%) and livestock (+2.3%) products.** Cattle (+9.2%) and turkey (+29.2%) producers recorded significant year-over-year growth while farmers of eggs (-6.4%) and hens & chickens (-5.0%) both received less from sales. Producers of potatoes (+10.0%), apples (+4.9%) and floriculture & nursery products (+1.6%) accounted for much of the gain in crop receipts.

  Nationally, farm cash receipts climbed 8.6% to $9.9 billion for the first quarter of 2007, as higher prices for grain and oilseed pushed crop receipts up 28.8%. Sales of livestock products (+2.7%) were also higher than in the same quarter of last year. *Data Source: Statistics Canada*

- **The net cash income of farmers in BC decreased to $249 million in 2006, down 28.7% from $349 million in the previous year.** Nationally, net cash income was slightly more stable, slipping 12.7% to $5.5 billion. Farmers in many Canadian provinces struggled in 2006, experiencing declines in net cash income resulting partly from rising fuel costs.

  Data Source: Statistics Canada

Food Consumption

- **Canadians are consuming fewer vegetables than they used to.** On average, Canadians consumed 37.8 kg of fresh vegetables (excluding potatoes) in 2006, down nearly three percent from the previous year. Sugar consumption has also eased since 2005. Beef consumption is on the rise with individuals eating an average of 13.9 kg last year, up 2.2% from 2005. Chicken remains the most popular poultry with the average Canadian consuming 13.4 kg last year. The amount of other key products such as eggs, cheese, fish and fresh fruits has remained relatively stable in recent years. *Data Source: Statistics Canada*

The Nation

- **Canada's economy expanded at a fast clip in the first quarter, with real GDP rising 0.9% (*seasonally adjusted*), more than double the rate recorded at the end of last year (+0.4%).** Domestic demand for goods and services was up 0.8%, boosted by robust consumer (+1.0%) and government (+0.7%) spending. Business investment expanded 0.5% as investment in the residential (+1.8%) sector picked up speed, and investment in non-residential (+1.3%) projects remained strong. However, businesses spent less on new machinery and equipment (-1.5%). Exports rose 0.5%, slightly less than the increase in demand for imported goods and services (+0.6%) *Data Source: Statistics Canada*

- **Canadian manufacturers' prices climbed 3.7% in April compared to the same month in 2006, a lower rate of increase compared to the last two months.** Primary metal products (+19.8%) continued to have the strongest influence on the Industrial Products Price Index (IPPI), while lumber & other wood products (-3.6%) offset part of the inflation. Prices for chemical (+4.6%) and pulp & paper (+2.4%) products were up, while the cost of motor vehicles & other transport equipment (-0.6%) slipped. The prices of raw materials surged 7.9%, boosted by a 41.2% jump in the price of non-ferrous metals.

  BC softwood lumber prices continued to fall (-4.0%). Interior (-9.8%) producers received substantially less for their products than in April of 2006, while Coastal mills saw prices rise (+10.8%). Meanwhile, prices for BC pulpwood chips soared (+54.1%).

  Data Source: Statistics Canada

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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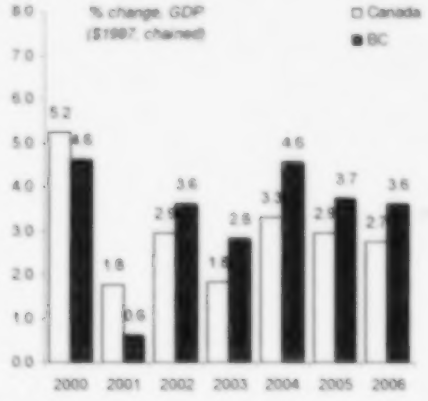
Originally published in
Business Indicators Issue 07-04

2006 another good year for BC economy

BC's economy expands 3.6% in 2006

British Columbia's economy grew at a steady pace in 2006, as gross domestic product (GDP) advanced 3.6%[1], only marginally less than the 3.7% increase posted in the previous year. This was the fifth straight year in which the province's economy has grown faster than the national average.

British Columbia's economy grows faster than Canada's for a fifth straight year



Data Source: Statistics Canada

Most key indicators point to strength in the economy

The province's solid economic growth reflected strength in many areas of the economy. The number of people with jobs expanded 3.1% during the year, more than in any province except Alberta, where employment rose 4.8%. Job growth was well in excess of the increase in the labour force, and British Columbia's unemployment rate fell to 4.8%. It is currently at a thirty-year low, and at, or very close to, full employment.

Consumer spending was robust, with retail sales up 6.4% and motor vehicle sales advancing 4.3%. The manufacturing sector recovered from a downturn in 2005. The value of mineral production increased, but at a much slower pace than in the last few years. Housing starts posted a solid 5.1% gain. While this is well below the sky-high increases seen earlier in the decade, it represents a more sustainable level of investment in new housing.

Domestic demand continues to drive growth

Domestic demand (consumer, business and government spending on goods and services, plus investment in fixed capital) remained the main source of growth in 2006, expanding 5.6% during the year after posting a more modest, but still healthy, increase in 2005. Consumer spending on goods and services rose 5.3%, driven by robust demand for durable (+8.8%) and semi-durable (+7.8%) goods. Spending on services was up 5.5%.

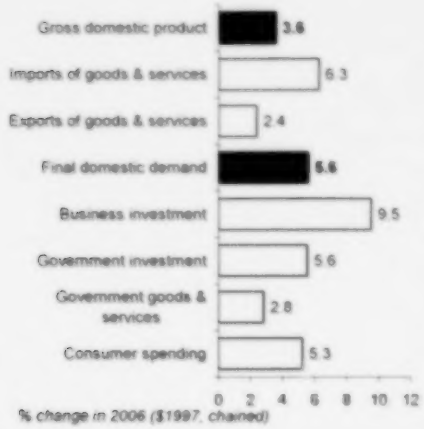
Government purchases of goods and services picked up speed, while business investment expanded nearly ten percent. An additional $1.4 billion worth of goods were added to business inventories during the year.

In recent years, strong investment growth in the province has been largely driven by a booming market for new housing. Investment in residential structures has been climbing since the turn of the century, and has nearly doubled since 2001. While last year's 6.6% increase was modest compared to growth earlier in the decade, it was still a

[1] Unless otherwise indicated, all of the figures quoted in this article are in chained (1997) dollars. The data comes from Statistics Canada, primarily from Catalogue 13-213-PPB, released April 25, 2007.

significant factor in BC's overall economic performance during 2006.

Business and government investment key sources of growth during 2006



Data Source: Statistics Canada

Despite a 9.2% increase in spending on non-residential structures last year, BC lagged behind most other provinces, ranking sixth in terms of growth overall. In BC, investment by the paper, communication and utilities, and service industries increased significantly during 2006. The province saw spending on machinery and equipment rise at double-digit rates for the second year in a row as industries that invested in new structures also spent more money on machinery and equipment during the year.

However, government investment did not expand as much as it had in the previous three years, when double-digit growth rates were recorded.

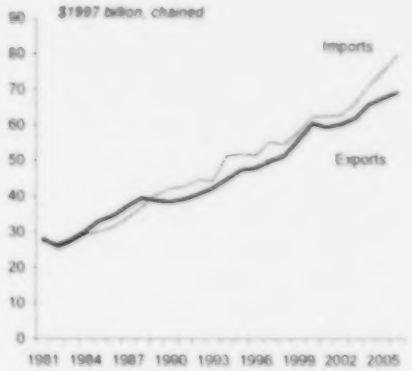
Trade deficit deepens

Although the value of exports increased (+2.4%) during 2006, the trade deficit worsened, as the demand for goods and services produced in the province failed to keep pace with an ever-increasing appetite for imported products (+6.3%).

BC has always imported more from other provinces than it exports to them, but this has been partly offset by a healthy surplus in international trade. In recent years, this surplus has disappeared and last year, for the second year in a row, BC purchased more goods and services from other countries than it sold to them. However, there was a modest decline in the interprovincial trade deficit.

Internationally, the deficit is largely localized in goods exports. The province continues to export more services to other countries than it imports from them.

External demand for BC products fails to keep pace with import growth



Data Source: Statistics Canada

It appears likely that the international trade deficit will persist. Although the province's manufacturing base has been diversifying away from a focus on processing natural resources, it is not able to supply British Columbians with the broad range of goods they consume. Many of the goods used in BC (and other provinces) can now be produced at lower cost in developing economies which are becoming increasingly important suppliers to consumers throughout the world. At the same time, technology is making international trade in services more feasible, since with the ease of information transfer on the

Internet, large distances are no longer a barrier to trade in many types of services.

Economic momentum shifting to the west

Growth patterns in 2006 reflect a continuing shift of some of the country's economic momentum towards the west. For the second year in a row, the three fastest-growing provinces were all in western Canada.

Alberta, which outperformed every other region by a wide margin, was the only province to post faster growth than BC in 2006[2]. This was the third year in a row in which the red-hot Alberta economy has led the country in terms of growth, and the margin in 2006 was larger than it has been in the past.

Alberta's red-hot economy expands at more than double the national rate

At the same time, Ontario and Quebec both lagged behind the national average for a fourth straight year. These provinces continue to have a substantial influence on overall economic growth, but the experience of the last few years suggests that the Canadian economy can no longer be viewed as rising and falling completely in tandem with the economies of central Canada. Whether or not the growing economic influence of the west will be sustained is yet to be seen, but for the present, it appears that a sea change may be taking place within the Canadian economy.

Alberta now the third-biggest economy in the country; BC drops to fourth place

While BC's strong growth during 2006 puts it in a very advantageous position relative to the rest of Canada, the province has been overtaken by the economic juggernaut next door. Alberta has moved up in the rankings, surpassing BC to become the third-biggest economy in the country.

Last year marked the first time that British Columbia's GDP *at market prices*[3] has been lower than Alberta's. Alberta's GDP *at basic prices* (a measure which excludes taxes on products) exceeded British Columbia's for the first time in 1998, and since 2000, the gap between the two economies has been growing.

Alberta does not have a provincial sales tax, so when a market price measure is used (i.e., including sales taxes on products), expenditures on goods or services in Alberta tend to have a lower value than in British Columbia. Last year, even when the sales tax was included, total spending by consumers, governments, businesses and non-residents in BC added up to a lower figure than in Alberta.

Alberta's dominant oil industry is export-oriented, and some of the difference between the two economies reflects the impor-

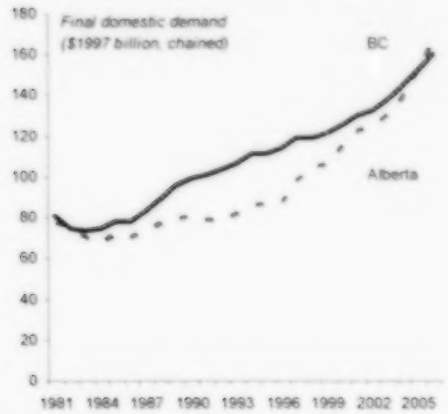
[2] Nunavut's economy expanded 5.8% but GDP growth in the northern territories tends to be somewhat volatile. Economic growth in both Yukon (+2.9%) and NWT (+2.0%) was slower than in BC.

[3] Total economic growth is usually measured using GDP at market prices, but GDP by industry is usually reported at basic prices.

tance of petroleum products[4] in Alberta's export mix. However, even when the external sector is excluded from the calculation, it appears that a gap between the two economies is beginning to open up.

Although BC's population exceeds Alberta's by nearly a million people, total domestic demand for goods and services in Alberta inched ahead of BC in 2005 (the first time this has occurred since the economic slowdown of the early 1980s). The gap widened last year.

Domestic demand for goods and services in Alberta now exceeds that in BC



Data Source: Statistics Canada

Many factors have contributed to this change, some of which have been at play for many years, and others which are of a more recent vintage.

Alberta businesses investing heavily in new plant and equipment

Business investment in plant and equipment explains much of the increase in final domestic demand that has occurred in Alberta in recent years. Investment in BC has been growing at a fast clip, but remains significantly lower than in Alberta, where vast amounts of money are being poured into new structures and equipment. Businesses in Alberta continue to spend significantly more in new structures than is the case in BC, and last year, invested nearly four times as much on new structures, and 65% more on machinery and equipment.

Business investment in structures has grown much more rapidly in Alberta than in BC

Data Source: Statistics Canada

Spending on machinery and equipment has also taken off

Data Source: Statistics Canada

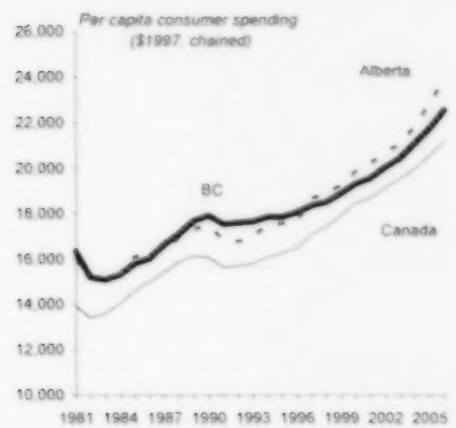
[4] These figures are in chained 1997 dollars, so the effect of inflationary price increases on the value of exports (and other variables) have been factored out

In the housing sector, long dominant in BC, the balance may also be shifting. During the last two years, BC has ceded its place at the front of the pack (in terms of growth) to Alberta, where a booming economy is fuelling increased activity in the housing market and has driven the cost of housing up significantly. However, British Columbia's larger population base continues to be reflected in higher total expenditures in this province.

On a per capita basis, consumer spending is also higher in Alberta

With its larger population base, BC continues to record higher consumer and government spending than Alberta. In fact, these have been a major factor in the province's recent economic growth. On a per capita basis, spending in Alberta has increased significantly, and has exceeded that in British Columbia since 1996.

Per capita consumer spending higher than average in BC; Albertans spend even more



Data Source: Statistics Canada

BC's international export growth has been relatively weak

While final demand for goods and services has played a key role in British Columbia's recent economic growth, the external sector has tended to slow down the economy, since comparatively weak export growth has been accompanied by a rising demand for imported goods and services.

BC's international export performance has been weak compared to other provinces, with exports increasing only two-thirds as much as for the country as a whole since 1981. Alberta and Ontario have seen exports rise to nearly five times the 1981 level, and Alberta's international exports have exceeded BC's since 1996.

International exports of BC goods and services have increased, but not as much as in Alberta

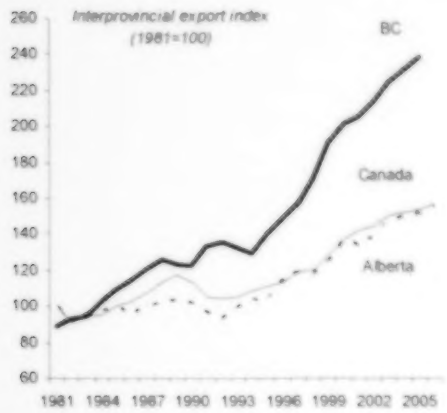
Data Source: Statistics Canada

Other Canadians are buying more BC products

There are some encouraging developments in the area of interprovincial trade. While British Columbia continues to import more goods and services from other provinces than it exports to them, the deficit with respect to

goods is shrinking, as Canadian demand for BC products is growing faster than the demand in BC for goods produced in the rest of Canada. In fact, BC's interprovincial exports have increased significantly more than in other provinces. Newfoundland is the only region that has seen stronger interprovincial export growth during the period since 1981.

Interprovincial exports taking off

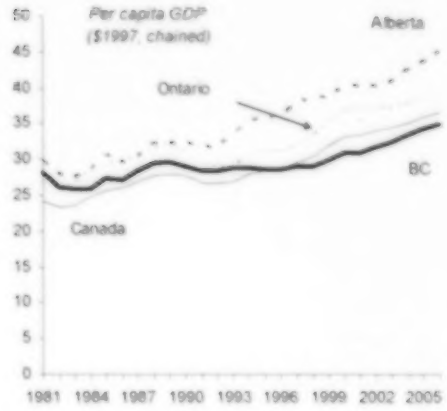


Data Source: Statistics Canada

BC lags behind the national average in some key measures

British Columbia's economy has seen robust growth in recent years, and last year's 3.6% increase was substantial. GDP growth has outpaced the increase in the population in every year since 2002. Despite five years of above-average economic growth, British Columbia continues to lag behind the national average in some key measures, including per capita GDP.

Per capita GDP still below the national average...



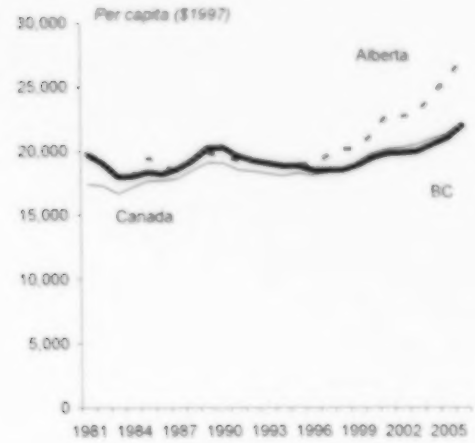
Data Source: Statistics Canada

Last year, with the economy at near-full employment, and economic growth that was three times the increase in the population, per capita GDP in the province expanded 2.3%, to $34,971. GDP per capita for the country as a whole was significantly higher, at $36,463 (+1.7%).

BC fell behind the national average in 1997, and while the gap has been shrinking during the last five years, it remains substantial. Among the provinces, Alberta and Ontario have the highest per capita GDP[5], with Alberta's figure exceeding that in BC by more than $10,000 per person last year.

[5] All three territories have an even higher GDP per capita, which reflects their small population base and higher-than-average remuneration for workers in the north.

...but the province is closing the gap with respect to after-tax personal income

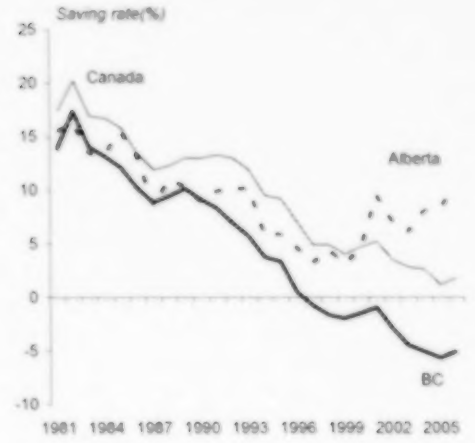


Data Source: Statistics Canada

On a per capita basis, after tax personal income in the province increased 4.8% in 2006. At $21,984, it was just under the national average ($22,070), but remained lower than in both Ontario and Alberta. After-tax income includes pensions and other transfers such as employment insurance or social assistance, as well as earned income and income from investments.

The province's saving rate (which measures the ratio of saving to after tax disposable income) improved slightly (to -5.1%) in 2006, but remains among the lowest in the country. PEI was the only province with a lower saving rate in 2006, and Nova Scotia and Saskatchewan were the only other provinces with negative saving rates.

Saving rate improves slightly in 2006, but still among the lowest in the country



Data Source: Statistics Canada

This means that personal expenditures on goods, services and transfers to corporations and non-residents exceeded total after-tax income in these provinces. While spending in excess of income can be financed by drawing on savings, home equity, or liquidating assets such as real estate, stocks or bonds, in the long run a negative savings rate is not a healthy situation, so the modest improvement in BC's rate is a positive sign.

The Canadian rate inched up to 1.8%. With savings, as with most other economic indicators, Alberta led the pack, with a saving rate of 10%.[6]

What's the outlook for BC?

British Columbia's economy has made big gains in recent years, and chalked up another strong performance in 2006. However, the recent growth has not been strong enough to allow the province to maintain its

[6] Newfoundland's rate was actually higher in 2006, but reflects the effect of a large one-time payment related to a pension fund, so it is not a good measure for comparison in 2006.

position as the third-largest economy in Canada as rapid investment and export growth, together with rising consumer demand for goods and services have catapulted Alberta's economy past BC's. As Alberta businesses continue to invest in new plant and equipment, they are laying the foundation for future growth in that province at a much more rapid pace than is the case in BC, where investment in non-residential structures has risen only modestly (and significantly less than in the country as a whole) during the last quarter century. Similarly, investment in machinery and equipment is increasing at a much slower rate than in Alberta, or other parts of the country, including Ontario and Quebec.

The province continues to fall short of the national average in terms of per capita GDP and after-tax income. The saving rate, which could potentially be used to finance increased investment in productivity-boosting plant and equipment, remains among the lowest in the country.

The extent to which British Columbia relies on spending by consumers, rather than businesses, as a source of economic growth may put it at a disadvantage compared to other regions which are more dependent on business spending and productivity improvements to stimulate the economy. These regions may be more vulnerable to the ups and downs of the business cycle, but are likely to see stronger long-term growth than in BC.

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Jan 1/07	% change on one year ago
BC	4,338.1	1.3
Canada	32,777.3	1.0
GDP and INCOME (Released Apr 25)		
(BC - at market prices)	2006	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	179,701	6.4
GDP *($ 1997 millions)*	150,741	3.6
GDP *($ 1997 per Capita)*	34,971	2.3
Personal Disposable Income *($ 1997 per Capita)*	21,984	4.8
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,472	1.5
Merchandise Exports - Mar	2,824	4.0
Retail Sales - Mar	4,624	1.4
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Apr 2007)		
BC	1.9	1.9
Vancouver	2.3	2.2
Victoria	1.3	1.5
Canada	2.2	1.8
LABOUR FORCE (thousands)	Apr '07	% change on prev. month
(seasonally adjusted)		
Labour Force - BC	2,354	-0.1
Employed - BC	2,249	-0.7
Unemployed - BC	105	13.9
		Mar '07
Unemployment Rate - BC *(percent)*	4.4	3.9
Unemployment Rate - Canada *(percent)*	6.1	6.1
INTEREST RATES (percent)	May 30/07	May 31/06
Prime Business Rate	6.00	6.00
Conventional Mortgages - 1 year	6.85	6.25
- 5 year	7.14	6.75
US/CANADA EXCHANGE RATE	May 30/07	May 31/06
(avg. noon spot rate) Cdn $	1.0754	1.1028
US $ *(reciprocal of the closing rate)*	0.9312	0.9079
AVERAGE WEEKLY WAGE RATE	Apr '07	% change on one year ago
(industrial aggregate - dollars)		
BC	748.06	3.8
Canada	740.73	2.3

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Regional Employment Projections

BC Stats, with the financial assistance of the Ministry of Advanced Education, developed the Regional Employment Projection Model (REPM), designed to project industrial and occupational employment in regions of the Province of British Columbia. The model projects employment at the Regional District level and then aggregates back up to the College Region for reporting purposes.

www.bcstats.gov.bc.ca/data/lss/repm.asp

Socio-Economic Profiles & Indices

The 2006 edition of these widely-monitored reports provide the most complete and up-to-date basis for measuring and comparing the social and economic dimensions of regions in the province. Released April 4.

www.bcstats.gov.bc.ca/data/sep/index.asp

High Technology Sector—2006

The high technology sector is a growing part of British Columbia's diverse economy, offering the prospect of strong economic growth in the years to come, as well as a local source of technology inputs to the province's resource-based industries.

Our latest *Profile* and *Input Indicators* reports are now available.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp

Released this week by BC STATS

- Business Indicators, May 2007
- Current Statistics, May 2007

Next week

- Tourism Sector Monitor, May 2007
- Labour Force Statistics, May 2007
- Earnings & Employment Trends, May 2007

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